

TESTIMONY OF ROBERT S. LYNCH,
ROBERT S. LYNCH & ASSOCIATES,
BEFORE THE ENERGY AND WATER DEVELOPMENT, AND RELATED
AGENCIES SUBCOMMITTEE OF THE HOUSE APPROPRIATIONS COMMITTEE

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Mr. Chairman, Ranking Member Kaptur, Members of the Subcommittee, thank you for providing the opportunity for public testimony on the Fiscal Year 2018 Budget. In the distant past, I testified before you on an annual basis. I thought then, and I think now, that the process benefits from such interaction.

My testimony today will focus on the Western Area Power Administration (WAPA) and the Bureau of Reclamation (Reclamation), the two agencies that provide critical hydropower and water resources to our clients in Arizona. Our firm represents, among others, the Irrigation & Electrical Districts' Association of Arizona (IEDA), whose twelve (12) Members and thirteen (13) Associate Members provide power and water resources to over half the population of the state and the majority of its irrigated agriculture.¹ Thus, how these agencies spend money affects IEDA Members and Associate Members, and their consumers, directly and immediately.

Bringing WAPA Unobligated Balances into Line

For a change, you have someone before you not asking for money. Instead, we are asking that you reduce WAPA's "Net Zero" authority for FY'18 by \$35 million. IEDA has joined forces with the Arizona Municipal Power Users' Association (AMPUA) and the Grand

¹ Aguila Irrigation District, Ak-Chin Energy Services, Buckeye Water Conservation and Drainage District, Central Arizona Water Conservation District, Electrical District No. 3, Electrical District No. 4, Electrical District No. 6, Electrical District No. 7, Electrical District No. 8, Harquahala Valley Power District, Hohokam Irrigation and Drainage District, Maricopa County Municipal Water District No. 1, McMullen Valley Water Conservation and Drainage District, Page Electric Utility, Roosevelt Irrigation District, City of Safford, Salt River Project, San Carlos Irrigation Project, Town of Thatcher, Tonopah Irrigation District, Wellton-Mohawk Irrigation and Drainage District, Yuma County Water Users Association, Yuma Irrigation District, Yuma-Mesa Irrigation and Drainage District.

Canyon State Electric Cooperatives Association (Grand Canyon) to investigate the burgeoning unobligated balances at WAPA's Desert Southwest Regional Office (DSW). We found that the transition DSW made last spring from asking us for advance funding for Operation and Maintenance (O&M) expenses to burying these costs in a "Net Zero" request exacerbated DSW's existing unobligated balances problem. Effectively, DSW was double collecting for O&M.

WAPA has already acknowledged, as documented by a 2015 General Accounting Office report,² that its unobligated balances for FY'14 exceeded \$40 million in just one account. WAPA admitted that it had further work to do to get its unobligated balances "further in line with [its] strategies." GAO 16-26, Recommendations. Moreover, Congressman Gosar and six (6) other members of the Arizona Delegation have recognized the problem in their bipartisan letter of April 5th to the Chairman and Ranking Member. We very much appreciate their support.

We have an additional request. We are asking you to consult with WAPA about an additional reduction in "Net Zero" authority of yet another \$35 million. Since you received the Delegation letter, we have confirmed that DSW unobligated balances, already too large, are accruing at least \$35 million more in FY'17. Given the timing of acquiring this information, and the cumulative effect of these over-collections, we are asking you to explore whether the FY'18 reduction could be doubled to \$70 million. WAPA DSW will have no shortage of remaining unobligated balances to get them through next year, assuming that it might even need them. The funding switch last year made a bad situation worse. It needs correcting. Your action directing

² GAO Report 16-26 re Selected Agencies' Unobligated Balances, October 2015.

this reduction will help WAPA and its DSW Office right the ship, a task WAPA has acknowledged is a work in progress. Everybody wins.

Transparency

Our group (IEDA, AMPUA, and Grand Canyon) has formed a preference customer committee to explore with WAPA's DSW office how we might alter procedures and schedules so the customers have timely input into all the decisional tracks DSW must follow in making spending decisions. To date, we have assurances from DSW that WAPA's goals are the same. We shall see. But let me be clear. If this effort falters, we will be back seeking mandates for the good behavior we seek now through dialogue.

Building Partnerships – Increasing Customer Responsibility – Aging Infrastructure

Financing

Here again, our group (IEDA, AMPUA, and Grand Canyon) has tasked our committee with setting the procedural stage for thinking outside the box. At the policy level, we may need your help, however. For instance, Reclamation has authority to transfer O & M responsibility for certain facilities to specified contractors that shoulder those tasks and costs themselves ("transferred works"). We are examining what I would call "transferred tasks," activities we might undertake and pay for ourselves and bring the finished products to the agency (Reclamation or WAPA), relieving it of the need to undertake tasks more easily contracted out to project contractors. If our goals turn out to have authority impediments, we will seek legislation letting us assume a larger role and responsibility in the partnership concept we believe is our necessary mutual future with these agencies

This increase in customer responsibility may be most critical in financing aging infrastructure. The competition for appropriated dollars in this area is fierce. Here again, we

may be proposing additional ways WAPA and Reclamation project contractors can engage in capital formation outside the appropriations process to address the documented critical needs of the agencies.

Conclusion

This is not time to sit on one's hands waiting for someone else to find solutions. We all need to be seeking solutions or each of us will continue to be part of the problem. That is unacceptable.

Thank you for the opportunity to present these views. Please let us know if we may assist you in your deliberations.